

October 19, 2020
Weekly Bulletin

New Tech Not the Same as Old Tech – KOMP

- As EU regulators aim to employ more stringent regulations focused on curbing market power, they announced¹ that they will be enacting tougher regulations on 20 of the largest internet companies – which are likely to include US-based firms
- House Democrats have also proposed a massive overhaul of US antitrust laws,² which could lead to the breakup of tech companies if approved by Congress – something that may become a reality if Democrats sweep the US election on November 3³
- While traditional core exposures tend to be concentrated in large-cap tech names, the comprehensive index construction behind the SPDR S&P Kensho New Economies ETF (KOMP) results in a diversified portfolio that is differentiated across the cap spectrum and industry landscape, as evidenced by the fact that there is only 24% and 12% overlap between KOMP and the S&P 500 and the Nasdaq 100, respectively⁴

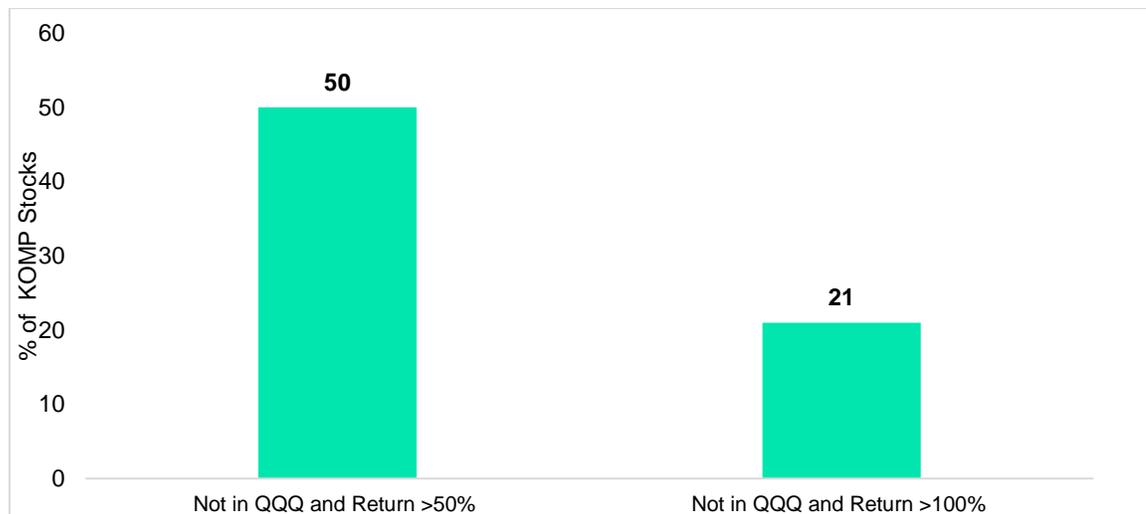
The Takeaway

With technology playing a major role in our daily lives but looming regulation acting as a potential headwind to mega-cap firms, a more balanced and broadly focused exposure to all areas of innovation may be ideal.

KOMP is a multi-cap strategy that seeks to offer broad-based but targeted exposure to firms at the forefront of innovation. Strategies that focus on only holding stocks listed in the NASDAQ (e.g., QQQ) may not provide comprehensive exposure to leading-edge technologies – as stock exchanges have no bearing on innovation. Since the market bottom, the average return on stocks in KOMP that are not listed on the NASDAQ is 78%.⁵ And as shown below, over half of the firms that are held in KOMP — but not in the large-cap tech-focused QQQ — have returned over 50% since the market bottom.⁶ Almost a quarter have returned greater than 100%⁷ as well, underscoring the importance of index construction when seeking to harness the generational opportunities as a result of our societal sea change.

Chart of the Week:

% of KOMP Stocks with Returns Greater than 50% or 100% Since Market Bottom



Source: Bloomberg Finance L.P.; Period: 03/23/2020 – 10/16/2020. Past performance is not a guarantee of future results.

**Standard
Performance**

Ticker	Name	YTD (%)	Annualized				Since Inception (%)	Inception Date	Gross Expense Ratio (%)
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)			
KOMP (NAV)	SPDR® S&P Kensho New Economies Composite ETF	19.13	30.59	-	-	-	20.69	10/22/2018	0.20
KOMP (MKT)	SPDR® S&P Kensho New Economies Composite ETF	19.08	30.50	-	-	-	20.68		
QQQ (NAV)	Invesco QQQ Trust	31.49	48.47	25.11	23.36	20.17	8.87	03/10/1999	0.20
QQQ (MKT)	Invesco QQQ Trust	31.37	48.25	25.08	23.36	20.15	8.86		

Source: ssga.com/etfs, Morningstar as of 09/30/2020. **Performance returns for periods of less than one year are not annualized. Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. For SPDR ETFs, visit ssga.com/etfs for most recent month-end performance.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ.

¹Source: Financial Times as of 10/11/2020, *EU targets Big Tech with 'hit list' facing tougher rules*

²Source: Politico as of 10/06/2020, *House Democrats propose antitrust overhaul to rein in big tech*

³Source: PredictIt, Bloomberg Finance, L.P. as of 10/16/2020. Odds of Democrats controlling the House are 89% and odds of Democrats controlling the Senate are 64%

⁴Source: Factset as of 09/30/2020

⁵Source: Bloomberg Finance, L.P. 03/23/2020-10/16/2020

⁶Source: Bloomberg Finance, L.P. 03/23/2020-10/16/2020

⁷Source: Bloomberg Finance, L.P. 03/23/2020-10/16/2020

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Important Risk Information

Investing involves risk including the risk of loss of principal.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of **market stress**.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

When the **Fund focuses its investments** in a particular industry or sector, financial, economic, business, and other developments affecting issuers in that industry, market, or economic sector will have a greater effect on the Fund than if it had not done so.

Multi-cap Investments include exposure to all market caps, including small and medium capitalization ("cap") stocks that generally have a higher risk of business failure, lesser liquidity and greater volatility in market price. As a consequence, small and medium cap stocks have a greater possibility of price decline or loss as compared to large cap stocks. This may cause the Fund not to meet its investment objective.

Technology companies, including cyber security companies, can be significantly affected by obsolescence of existing technology, limited product lines, competition for financial resources, qualified personnel, new market entrants or impairment of patent and intellectual property rights that can adversely affect profit margins.

Index-based funds hold a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

The funds presented herein have different investment objectives, costs and expenses. **KOMP** seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P Kensho New Economies Composite Index. **QQQ** seeks investment results that generally correspond to the price and yield performance of the index. To maintain the correspondence between the composition and weights of the securities in the trust (the "securities") and the stocks in the NASDAQ-100 Index®. Each fund is managed by a different investment firm and the performance of each fund will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the funds' portfolio assets and performance. For further information on the funds, please review their respective prospectuses.

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